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Before The Tennessee Regulatory Authority

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Prepared Direct Testimony
Of
Danny L. McGriff

In Re:
Chattanooga Gas Company
Docket 04-00034

1 **Q. Please state your name, business affiliation and address and job title.**

2 A. Danny L. McGriff, Manager, Facilities Protection Section, Georgia Public Service
3 Commission, 244 Washington Street, Atlanta, Georgia 30334.

4 **Q. Please give a brief outline of your background and professional experience.**

5 A. I began my employment with the Georgia Public Service Commission as a Senior
6 Pipeline Safety Inspector in June 1980, advanced to the position of supervisor in July of
7 1996 and was promoted to Manager in August 2001. I am responsible for the supervision
8 and coordination of programs designed to ensure the safety of natural gas transmission
9 and distribution and liquefied natural gas (LNG) utility operations. In addition to
10 managing Commission Staff members involved in the performance of statewide natural
11 gas safety inspections, I am responsible for interpreting state and federal laws, rules,
12 codes, standards, regulations, policies and procedures concerning various natural gas
13 safety programs. Finally, I serve as the agency expert regarding the safety of natural gas
14 pipeline system design, construction, installation, inspection, operation, maintenance,
15 emergency procedures, repairs and cathodic protection.

16 **Q. What is the purpose of your testimony?**

17 A. I was requested by the Office of the Attorney General of the State of Tennessee to
18 address the following issues:

19 1. Federal requirements regarding the replacement of cast iron/bare steel pipe;

- 20 2. The condition of Atlanta Gas Light Company's (AGLC) system in 1998 that
21 brought about a Rule Nisi and eventually led to a stipulation setting forth the
22 parameters of the current pipe replacement program in Georgia; and
23 3. Concerns shared by the Georgia Public Service Commission's Natural Gas Staff
24 relating to the utilization of a separate rider or surcharge to customers to pay for
25 the pipe replacement program.

26 **Q. Please describe the Federal requirements you mentioned.**

27 A. In 1991, the U. S. Department of Transportation issued a Pipeline Safety Alert Notice
28 (ALN-92-02) recommending that all natural gas distribution companies develop a
29 program to identify and replace cast iron pipe. In addition, under 49 CFR (Code of
30 Federal Regulations), operating companies with pipelines that are determined to be bare
31 and/or ineffectively coated were to have procedures to address pipelines where active
32 corrosion was found.

33 **Q. Please describe the circumstances leading to the issuance of a Rule Nisi against**
34 **Atlanta Gas Light Company, subsequently culminating in a mandatory pipe**
35 **replacement program.**

36 A. Issued January 6, 1998, the Rule Nisi, based on Pipeline Safety and follow-up inspections
37 from May 1996 through October 1997, indicated a history of active corrosion since 1980.
38 Review of Company records revealed, for the Atlanta service center alone, 5,661 leaks
39 (3,169 of those identified as Grade I) in 1994; 4,438 (2,558 Grade I) in 1995; and 4,007
40 (2,585 Grade I) in 1996. Additionally, the Atlanta service center records from 1994
41 through 1997 showed leaks on cast iron pipe that indicated the existence of
42 graphitization.

43 **Q. Were there any other conditions that warranted the Rule Nisi?**

44 A. Yes. Atlanta Gas Light Company was cited for the following deficiencies:

- 45 1. Failure to locate underground facilities;
46 2. Improper grading of leaks;
47 3. Untimely repair of Grade I leaks;
48 4. Safety equipment not made available to all repair crews;

5. Failure to maintain a leak database;
6. Inadequate training to properly perform and record pit depth gauge readings;
7. Inadequate distribution of the Company's Operations Procedure Manual;
8. Inadequate inspection of meters read by electronic reading telemetry devices;
9. Improper locking and sealing of disconnected meters;
10. Inadequate leak surveys and related records;
11. Inadequate marking of above ground regulators; and
12. Improper incident notification.

Q. Were all of the aforementioned deficiencies addressed in the stipulation as well?

A. Yes. In addition to the mandatory replacement of over 2,300 miles of bare steel and cast iron pipe in AGLC's system within 10 years, the stipulation of June 10, 1998 contained a non-performance penalty provision of \$100,000 per violation.

Q. Is this program in Georgia funded by customers by way of a separate rider or surcharge, similar to the one being proposed in this case?

A. Yes. Given the magnitude of the project in Georgia, it was believed (at first) that this methodology would reduce rate shock as the program was phased in, and implementation could begin immediately, rather than wait 6 months or more for the conclusion of a rate case. However, this rider mechanism has placed a tremendous burden on the Commission's Natural Gas Staff, spending an inordinate amount of time and resources to review over \$60 million in capital expenditures and approximately \$8 million in operating expenses each year. The Staff has shared concerns with the Facilities Protection Staff (and the Commission) that non-related expenses have been included in the Company's pipe replacement rider calculation. Subsequently, the Natural Gas Staff recommended to the Commission that the pipe replacement rider be abolished and all future program expenses be recovered through base rates.

Q. Have you reviewed the testimony of Richard Lonn in this case, Docket 04-00034?

A. Yes.

Q. Do you have any recommendation for the Tennessee Regulatory Authority regarding Chattanooga Gas Company's proposed bare steel and cast iron pipeline

replacement program and related tracker, given almost 6 years experience with a similar program in Georgia?

A. Yes. Given the relatively small amount of replacement proposed by the Company (10 miles per year in Tennessee vs. 230 miles per year in Georgia), a separate revenue tracker is not necessary. This rate of replacement can easily be achieved without a separate rider or annual rate case, as Atlanta Gas Light Company did from 1989 through 1997. The Commission Staff had reviewed AGLC's replacement program implemented in 1989 to replace 608 miles in 10 years; however, by the end of the 9th program year (November 1997), 243 miles of cast iron pipe still remained in the Atlanta service center. At this rate, it would take 50 years (Atlanta service center) and 100 years (Peachtree service center) to replace all bare steel and cast iron main in these two service centers alone. Therefore, an accelerated replacement program was needed in Georgia. However, AGLC was able to effect the replacement of over 300 miles of pipe in 9 years, without a rider or rate case. As I mentioned earlier, a separate revenue tracker will place the burden on the Tennessee Staff to oversee its correct implementation. Finally, contrary to the Company's assertion (that without the separate tracker to recover the cost of the program, Chattanooga Gas Company would be required to file for annual rate relief), the cost and duration of the proposed program is "known and measurable" and could readily be incorporated into rates being determined in the present case.

Q. Does this conclude your testimony?

A. Yes.

**BEFORE THE
TENNESEE REGULATORY AUTHORITY**

**In Re: Application Chattanooga Gas Company,
A Division of Piedmont Natural Gas Company, Inc.,
For an Adjustment of its Rates and Charges, the Approval of Revised Tariffs
And the Approval of revised Service Regulations
Docket No. 04-00034**

AFFIDAVIT OF DANNY L. MCGRUFF

Danny L. McGriff, being first duly sworn, deposes and says that he is the Danny L. McGriff referred to in the document entitled "Pre-Filed Direct Testimony of Danny L. McGriff on Behalf of the Georgia Public Service Commission"; that the exhibit accompanying that document was prepared by him or under his supervision; that he has read such testimony and is familiar with its contents; and that the contents of that document are true, correct, accurate and complete to the best of his knowledge, information and belief in this proceeding.



Danny L. McGriff

Subscribed and sworn to me before
this 20th day of July 2004.

My commission expires:



Notary Public

